DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: 0 2 — 0 2 4

2. STATE: Iowa

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
November 1, 2002

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR 447.332

7. FEDERAL BUDGET IMPACT: Per State's Response to RAI on 12/18/02
a. FFY 03 $(3,642)
b. FFY 04 $(3,973)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-B, pages 7 & 7a, ~~Assurances to Attachment 4.19-B, page 1~~ per State's Response to RAI on 12/18/02

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
Attachment 4.19-B, page 7; Assurances to Attachment 4.19-B, page 1 and page 2 Per State's response to RAI on 12/18/02

10. SUBJECT OF AMENDMENT:
Adds an additional payment limitation of "state maximum allowable cost (SMAC)" for covered legend drugs

11. GOVERNOR'S REVIEW *(Check One)*:

☑ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☐ OTHER, AS SPECIFIED: Iowa (02-024)

Approved: 01/23/03
Effective: 11/01/02

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:
Jessie K. Rasmussen

14. TITLE:
Director

15. DATE SUBMITTED:
~~Faxed 9/30/02~~ Mailed 9/30/02

16. RETURN TO:
Director
Department of Human Services
Hoover State Office Building
Des Moines, Iowa 50319-0114

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:
09/30/02

18. DATE APPROVED:
JAN 23 2003

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
NOV 01 2002

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:
Thomas W. Lenz

22. TITLE:
~~ARA for~~ Medicaid & Children's Health

23. REMARKS:
SPA Data Control
Date Submitted 9/30/02
Date Received 9/30/02

FORM HCFA-179 (07-92)

Instructions on Back

Methods and Standards for Establishing Payment Rates for Other Types of Care

Prescribed Drugs

The amount of payment shall be based on several factors, subject to the upper limits in 42 CFR 447.331-332 as amended.

a. Reimbursement for covered prescription drugs shall be the lowest of the following as of the date of dispensing:

(1) "Estimated acquisition cost (EAC)", defined as the average wholesale price as published by First Data Bank less 10 percent, plus the professional dispensing fee.

(2) "Maximum allowable cost (MAC)", defined as the upper limit for multiple source drugs established in accordance with the methodology of the Centers for Medicare and Medicaid Service as described in 42 CFR 447.332, plus the professional dispensing fee.

(3) "State maximum allowable cost (SMAC)", defined as the average wholesale acquisition cost for a drug and all equivalent products adjusted by a multiplier of at least 1.0, as determined by the department, plus the professional dispensing fee. The department shall set the multiplier on a quarterly basis, or more often as necessary, at the minimum necessary to ensure adequate product availability.

(4) Submitted charge, representing the provider's usual and customary charge for the drug.

b. Subject to prior authorization requirements, if a physician certifies in the physician's handwriting that, in the physician's medical judgment, a specific brand is medically necessary for a particular recipient, the MAC or SMAC does not apply and the payment equals the lesser of EAC or submitted charges. If a physician does not so certify, the payment for the product will be the lower of MAC or SMAC.

c. No payment shall be made for sales tax.

Methods and Standards for Establishing Payment Rates for Other Types of Care

Prescribed Drugs (Cont.)

d. All hospitals which wish to administer vaccines which are available through the vaccines for children program to Medicaid recipients shall enroll in the vaccines for children program. In lieu of payment, vaccines available through the vaccines for children program shall be accessed from the department of public health for Medicaid recipients. Hospitals receive reimbursement for the administration of vaccines to Medicaid recipients through the DRG reimbursement for inpatients and APG reimbursement for outpatients.

e. The basis of payment for nonprescription drugs shall be the same as specified in paragraph "a" except that the department shall establish a maximum allowable reimbursable cost for these drugs using the average wholesale prices of the chemically equivalent products available. The department shall set the maximum allowable reimbursable cost at the median of those average wholesale prices. No exceptions for higher reimbursement will be approved.

f. An additional reimbursement amount of one cent per dose shall be added to the allowable ingredient cost of a prescription for an oral solid if the drug is dispensed to a patient in a nursing home in unit dose packaging prepared by a pharmacist.

g. For services rendered after June 30, 2002, the professional dispensing fee is equal to $5.17.

h. For purposes of prescription drug reimbursement, equivalent products are those that meet therapeutic equivalent standards as published in the federal Food and Drug Administration document, "Approved Prescription Drug Products With Therapeutic Equivalence Evaluations."

i. Pharmacies and providers that are enrolled in the Iowa Medicaid program are required to make available and submit to the department or its designee, drug acquisition cost information, product availability information, or other information deemed necessary by the department for the determination of reimbursement rates and the efficient operation of the pharmacy benefit. Pharmacies and providers will submit information to the department or its designee within 30 days following a request for such information unless the department or its designee grants an extension upon written request of the pharmacy or provider. Pharmacies and providers re required to produce and submit information in the manner and format requested by the department or its designee, as requested, at no cost to the department or its designee.